

DIRECT RURAL HOUSING (502) LOANS

I. GENERAL

The Rural Housing Service (RHS) provides Section 502 Rural Housing loans to eligible persons to own adequate but modest, decent, safe and sanitary dwellings. This fact sheet provides basic eligibility requirements for assistance to purchase, build or repair a single family home or to purchase a condominium in an eligible rural area. It is our desire to serve you effectively and efficiently.

II. APPLICANT ELIGIBILITY REQUIREMENTS

All applicants must have repayment ability for the loan amount requested real estate taxes, insurance and other monthly debts. The total monthly payment for Principal, Interest, real estate taxes, and assessments, and property Insurance (**PITI**) must not exceed either 29% or 33% respectively, of a very low or low income applicant's gross monthly income. An applicant's total monthly payment for **PITI** plus all other monthly debt payments (**TOTAL DEBT**) must not exceed 41% of the applicant's gross monthly income. In addition to the **PITI** and **TOTAL DEBT** percentages, an applicant must meet the following to be considered eligible for assistance. All applications are reviewed for the Leverage Loan program and additional information is provided upon selection.

- **You must have a good credit history**
- **Adjusted household income must be less than the low-income limit for the respective household size and area in which the prospective property to be financed is located.**
- **USE OF ASSETS:** If you have assets in excess of established limits, you must use those assets for a down payment and costs associated with the transaction. Applicants must contribute non-retirement assets in excess of \$7,500 (\$10,000 for Elderly families). Retirement assets in excess of the median income limit must also be used in the transaction.

III. REPAYMENT ABILITY

The loan amount for which a household qualifies will depend primarily on the household's repayment ability as determined by the **PITI** and **TOTAL DEBT** ratios discussed in paragraph II. Your mortgage payment will be the greater of the payment based on a subsidized interest rate, or either 22%, 24%, or 26% of your adjusted household income. The loan cannot exceed the appraised value of the property by more than the cost of the Agency appraisal and initial tax and insurance escrow deposit and fee. The maximum loan, appraised value or purchase price cannot exceed the loan limit for the respective area as shown on the Maximum Mortgage Limit Page.

IV. SITE REQUIREMENTS

The property must be located in an eligible rural area. The dwelling site, except for condominiums must be large enough to accommodate an adequate water and/or sewerage disposal and a yard. The site cannot be of a size that can be subdivided into another adequate site under existing zoning requirements. The property must have a direct access from an all weather street, road, or driveway that is town maintained and acceptable to RHS.

V. DWELLING REQUIREMENTS

The size and type of dwelling you will be able to purchase will depend primarily on your repayment ability. The dwelling must provide decent, safe and sanitary housing. Inground swimming pools and income producing properties are specifically prohibited.

Loans on new homes less than one year old not inspected by RHS or covered by an approved 10 year warranty plan will be limited to 90% of the value of the dwelling.

VII. HOW TO FILE AN APPLICATION

Mail in or hand deliver during business hours (no faxes please) to the [office](#) that covers the area in which the property you plan to buy build or repair is located:

- A fully completed Uniform Residential Loan Application, Form RD 410-4, signed on pages 5 & 7, and an executed Authorization to Release Information, Form RD 3550-1 for each adult of the household.

Additional information will be required to complete the processing of your application. The following information and other information may be requested as needed by RD.

- Authorization To Release Information To Other Lender(s) signed by each applicant/co-applicant
- Credit report fee of \$28 for individual and \$38 for joint reports
- Copy of latest signed Federal tax return (3 years if self-employed)
- Copy of 2 paystubs for employed individuals, 2 banking statements for each checking and savings account and vested retirement statement
- Third party documentation of other income such as Social Security, VA, AFDC, Child Support, etc.